

Written statement to State of Nevada Department of Taxation

Committee on Local Government Finance - October 27, 2015

To: All members of the Committee on Local Government Finance

From: Clifford F. Dobler - Resident

995 Fairway Blvd. Incline Village, NV 89450

cfdobler@aol.com 775-722-4487

RE: Item 5c) Report from subcommittee regarding guidance on enterprise funds and special revenue funds

I appreciate the guidance letter 15-002 dated October 27, 2015

My comments relate to the Incline Village General Improvement District

#### Background

Prior to July 1, 2015 accounting and reporting for the Community Service Fund and the Beach Fund was as Enterprise Funds

Both Funds were created to account for all recreational venues such as golf, skiing tennis and beaches.

Revenues come from three main sources a) user fees b) sale of food and merchandise c) an annual Recreational Standby Fee and service charges which is charged for benefits and paid by all parcel owners

The Recreational Standby Fee has been explained to citizens, committed and budgeted requiring support of operating shortfalls, funds for capital projects and paying debt service.

For the current fiscal year, the \$6,800,000 of Recreational Standby Fee collected is allocated and committed approximately 36% to support operations 38% for capital projects and 26% to pay debt service

The Recreational Standby Fee represents approximately 36% of all revenues collected for the two funds.

In December, 2014 the Staff of IVGID suggested to our Board of Trustees that the two funds should be changed from Enterprise Funds to Special Revenue Funds

One of the primary reasons was to allocate the Recreational Standby Fee into three components OPERATIONS , CAPITAL PROJECTS , AND DEBT SERVICE

As such on May 25, 2015 by resolution our board of trustees adopted the formation Special Revenue Funds; an operating fund, a capital project fund and a debt service fund for the former Community Service and Beach funds . From two funds have blossomed six funds.

#### ISSUE #1

IVGID's type of revenues activities would certainly establish the Community Service and Beach Funds as **Enterprise Funds** See page bottom of page 2 and top of page 3

In other words "If it looks like a duck, walks like a duck and quacks like a duck it must be a duck"

However, that being said, the use of three distinct funds for operations, capital projects and debt service and separating the Recreational Standby Fee funds into the three components is **appealing** to citizens and of course the IVGID staff

#### ISSUE #2

Since the determination has been made to use Special Revenue Funds and separate funds have been created for operations, capital projects and debt service then the nature of accounting and reporting would be to have Recreational Standby Fee revenue proceeds which are committed to expenditure for a specified purpose channeled into the specific fund.

It is certain that when the Recreational Standby Fee is appropriated and committed that it is to be separated into the three parts.

A breakdown occurs because the IVGID staff continues to record the ENTIRE Recreational Standby Fee as **Revenues from OPERATIONS** and then subsequently transferred amounts to Capital Projects and Debt service funds.

GASB Statement #54 clearly states "Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. **Those amounts should not be recognized in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes**".

By recognizing the ENTIRE Recreational Standby Fee as Operating Revenues in the Operating Fund a total distortion is in place to "Juice" the operations with Revenues which are committed to another fund. Thus it appears that the Operations are quite profitable but are not. Somewhat of a "**bait and switch**".

We need the State of Nevada to intervene and to end this distortion.

Thank you.